

**WASHINGTON INSURANCE COMMISSIONER'S
LIFE & DISABILITY AGENT/BROKER ADVISORY COMMITTEE
MEETING MINUTES OF
APRIL 2, 2003**

Life & Disability Representatives: Sil Arata, Floyd Watkins & Associates, Inc.; Brenda Brink, New York Life Insurance Company; Sean Corry, Sprague Israel Giles, Inc.; Dell Durden, Durden & Durden, Inc.; Anthony (Bud) Larimer; Ben W. Reppond, The Reppond Co., Inc.; Gregory Seifert, Biggs Insurance Service, and Patti Smith, Smith Meacham Insurance.

Absent: Dean Byus II, Employee Benefits Group; Richard E. McKinnon; and John Rathbun, Jr., National Association of Insurance & Financial Advisors.

Office of Insurance Commissioner (OIC) Representatives: Mike Kreidler, Insurance Commissioner; Beth Berendt, Deputy Commissioner for Rates and Forms; Bill Daley, Deputy Commissioner for Policy; Scott Jarvis, Deputy Commissioner for Consumer Protection; Mike Huske, Investigations/Examinations, Consumer Protection; Shellie Savage, Recorder.

Summary of Discussion:

Welcome and Introductions:

Commissioner Kreidler welcomed members. Introductions were made.

National Association of Insurance Commissioners Activity

There is a lot of focus on developing standards between states on life and annuity products. NAIC is discussing the development of an interstate compact to accomplish this but this is somewhat problematic because the larger states buy the premium volume so they need to be included to make this successful. NAIC is taking an active role to structure this. Legislators need to be convinced so their authority can be used. The NAIC has started developing a shadow contract and is in the process of setting standards. It is hoped there will be help at the federal level also.

The Commissioner shared with the NAIC that we are the second state to have E-Tax online and we are working on making it more user friendly. We are encouraging others to try these monetary saving processes in their states.

Washington Legislation

Small Group Reform Bill – the Commissioner shared that some aspects of this bill would be beneficial, however he expressed major concern over the banding issue (age banding in particular) and the impacts that will have.

Sean Correy - Exactly what type of an impact would this have?

Brenda Brink – What about the impact of the individual market? Health carriers are struggling trying to absorb the costs especially in the category of one. Discussed current legislation and how it would impact this issue.

Sean Corry - This was the point of the high risk pool – reported it's currently flat – shows no growth in the last several months. Where are consumers going? Dropping out – going to COBRA instead? Survey will continue asking these questions.

Brenda Brink – We're seeing employees drop coverage not offering COBRA, or freezing contributions – seeking the rest out of the employee's pocket.

Sean Corry – Regarding the lobbying effort from Fortis Group - the number one writer of individual insurance in the nation - they are already here since they own John Alden.

Commissioner Kreidler - Statutory changes are difficult but we will take a look to see if there isn't something that we can do to assist.

Dell Durden - Is it true that Aetna is not making a significant contribution to their retired employees?

Ben Reppond – Is Aetna attempting to come back into the small group market?

Beth Brendt – We are talking to them about several issues, but are not completely clear where they are headed. We will be working with them on these issues.

Commissioner Kreidler asked that Bill Daley come in and brief the group and answer some of their questions.

SSB 5521 – Access to Health Insurance for Employers and Their Employees

Bill Daley presented the group with a handout that spoke to the banding issue called Policy Impacts On Small Group Insurance Enrollment: Expanded Premium Variation by Age Group. The group continued with questions on this handout.

Gregory Seifert - This was not the intent of the bill and the language may need to be re-written.

Ben Reppond - New York and California don't use MEWAs – they don't allow them. New York tries using community rates and California uses modified community rating – any thoughts on that?

Bill Daley responded that there are no true numbers on Associated Plans – the best guess is small group and that is 50%. Need to take a look at this issue further. Will possibly take legislation.

Gregory Seifert - Can we find a balance point? Oregon has a market that is similar to where we want to go – can we take a look at that?

Sean Corry – Can we come back to community rating - out of pools?

Commissioner Kreidler suggested we discuss these issues and come up with different scenarios towards a community-rated environment.

Suitability – New NAIC Draft

Beth Berendt presented a draft document that replaces the old Suitability Model. Send comments to Carolyn Johnson Speck with a copy to Beth Berendt, BethB@oic.wa.gov, and Scott Jarvis, ScottJ@oic.wa.gov.

Rates and Forms Filings (Process Improvement Update)

Beth shared that the business goal last quarter was a 12 percent decrease in the length of time required to complete a filing. Staff continue to work very hard to accommodate a significant increase in workload as well as other factors such as staff being on leave. The OIC also serves on the Interstate Management Committee and, as such, will be juggling staff time which may affect next quarter's productivity.

There is pressure for the NAIC Shadow Committee to develop standards from a federal level on certain products. Washington state has one of the highest standards currently.

The customer satisfaction survey is continuing and as of March 1, 84% report being satisfied or very satisfied.

Agent-Broker Discipline/Issues Update

Mike Huske - Discussed his group, he manages 8 individuals, 5 are investigators and 3 are examiners that handle agent audits and surplus lines. Topics we are hearing are replacement issues, folks that bought products six years ago and now are questioning what have or are saying that's not what I was told when I purchased it from the agent.

Non-residents are exceeding residents licensing. Mike Huske works very closely with Georgia Cooper on issues such as fingerprint checks.

Recently looked at a management claim within an agency and revoked the license. The problem resulted from management hiring untrustworthy people. We have to go through hoops to get the company to deal with these types of issues.

Ben Reppond – NASE marketing practices and Alliance for Affordable Health Care?

Mike Huske – Good relationship with them – things are looking better. If you have issues or individuals needing investigation, send Mike an e-mail at MikeH@oic.wa.gov.

HP is not able to communicate to the NAIC – it is outdated and we are sending one of our IS staff to address this. Budget is also an issue down the road when we will have to replace it.

Revocation list is now on the OIC website at www.insurance.wa.gov.

Required 6 Hour LTC Course

John Rathbun – many agents have taken this multiple times – can we shorten or change it?

Scott Jarvis – We are 6 months to a year away from rewriting/stakeholdering the continuing education rules. The NAIC is no closer at looking at these rules either.

John Rathbun – We are hearing wonderful things about Sue, we hear she is the best around the country from other states – she deserves a gold star. FYI

Improving Communication

Scott Jarvis – The first two weeks of legislative sessions are chaotic and we apologize if there were miscommunications, we will try to be better in the future.

The meeting adjourned about 11:45.

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